

Message Text

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ACTION EUR-12

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USEEC

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SUBJECT: COMMISSION SENDS "ORTOLI FACILITY" PROPOSAL TO
COUNCIL

REF: 77 BRUSSELS 18148

1. THE EC COMMISSION HAS APPROVED AND FORWARDED TO THE
COUNCIL A PROPOSED COUNCIL DECISION WHICH WOULD ESTABLISH
THE NEW COMMUNITY LENDING INSTRUMENT ("ORTOLI FACILITY").
COPY OF PROPOSAL BEING POUCHED TO EUR/RPE (GELBARD).

2. THIS PROPOSAL, WHICH WAS GIVEN THE BLESSING OF THE
EUROPEAN COUNCIL AT ITS DECEMBER MEETING ON A "TRIAL
BASIS" (RETEL), WOULD PERMIT THE COMMISSION TO BORROW UP
TO 1 BILLION EUROPEAN UNITS OF ACCOUNT (1 EUA CURRENTLY
EQUALS ABOUT \$1.23) FOR RELENDING WITHIN THE COMMUNITY.
SUCH LENDING WOULD BE DESIGNED TO PROMOTE ADDITIONAL
INVESTMENT IN AREAS CHOSEN FOR THEIR STRATEGIC IMPORTANCE
FOR THE COMMUNITY -- ESPECIALLY IN ENERGY, INDUSTRIAL
RE-STRUCTURING, AND INFRASTRUCTURE.

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3. AS AGREED BY THE EUROPEAN COUNCIL, THE RESPONSIBILITY
FOR ADMINISTRATION OF SPECIFIC LOANS WILL BE GIVEN TO
THE EUROPEAN INVESTMENT BANK (EIB). THE PROPOSAL LAYS
OUT PROCEDURES AS FOLLOWS: THE COUNCIL, ACTING BY A
QUALIFIED MAJORITY ON A PROPOSAL FROM THE COMMISSION,
SHALL ACTIVATE A TRANCHE AND FIX GENERAL GUIDELINES FOR

ITS USE. THE COMMISSION WILL BORROW FROM THE CAPITAL MARKETS WITHIN THE LIMITS OF THE TRANCHES ACTIVATED. THE FUNDS WILL BE DEPOSITED WITH THE EIB TO BE INVESTED ON A TEMPORARY BASIS IF NECESSARY.

4. THE EIB WILL RECEIVE AND EXAMINE LOAN REQUESTS. AFTER THE COMMISSION HAS DECIDED ON THE ELIGIBILITY OF EACH LOAN, THE EIB WILL MAKE THE FINAL DECISION WHETHER TO MAKE THE LOANS, ON WHAT TERMS, AND WILL ADMINISTER THE LOANS. (ALTHOUGH NOT EXPLICITLY STATED IN THE PROPOSAL, WE ARE TOLD THAT EVERY LOAN WILL REQUIRE THE AGREEMENT OF THE MEMBER STATE IN WHICH THE LOAN IS LOCATED.)

5. BORROWING AND LENDING TRANSACTIONS WILL BE EXPRESSED IN THE SAME CURRENCY, AND LENDING TERMS WILL REFLECT BORROWING COSTS PLUS EXPENSES ON BOTH BORROWING AND LENDING SIDES OF THE TRANSACTION. THERE IS NO PROVISION FOR AN INTEREST SUBSIDY.

6. IN SUM, THESE TRANSACTIONS WILL RESEMBLE NORMAL EIB OPERATIONS WITH TWO PRINCIPAL DIFFERENCES: (1) THE FUNDS WILL BE RAISED BY THE COMMISSION, SECURED BY THE COMMUNITY BUDGET; (2) LOANS WILL BE FOCUSED IN AREAS CHOSEN BY THE COMMISSION AND COUNCIL. WHEREAS NORMAL EIB LOANS ARE SUBJECT TO THE APPROVAL OF THE COMMISSION WHICH DETERMINES WHETHER THE LOAN IN QUESTION ACCORDS LIMITED OFFICIAL USE

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WITH THE PURPOSES LAID DOWN IN THE ROME TREATY, UNDER THE PRESENT PROPOSAL THE COMMISSION WILL ENSURE THAT THE LOAN FOLLOWS THE MORE SPECIFIC GUIDELINES ESTABLISHED BY THE COUNCIL.

7. COMMISSION SOURCES SAY THEY HOPE TO OBTAIN FINANCE COUNCIL APPROVAL OF THIS PROPOSAL IN FEBRUARY OR MARCH. IN THIS CASE, BORROWING UNDER THE FIRST TRANCHE WOULD LIKELY TAKE PLACE IN THE SUMMER OR EARLY AUTUMN, AND LENDING COULD BEGIN SHORTLY THEREAFTER. IT IS EXPECTED THAT THE FIRST TRANCHE WOULD BE FOCUSED ON ENERGY-SAVING INVESTMENT. THE 1 BILLION EUA WILL BE PROBABLY BE SPREAD OVER A PERIOD OF 2 TO 3 YEARS.

8. ALTHOUGH SUCH AMOUNTS WOULD NOT BE OF LARGE MAGNITUDE RELATIVE TO INVESTMENT NEEDS, COMMISSION SOURCES HOPE THAT WELL-CHOSEN INVESTMENTS FOCUSED IN AREAS SELECTED FOR THEIR STRATEGIC IMPORTANCE FOR THE COMMUNITY AS A WHOLE WILL HAVE ECONOMIC AND PSYCHOLOGICAL IMPACT BEYOND THEIR APPARENT SIZE. BEYOND THIS, IT IS CLEAR THAT THERE IS CONSIDERABLE SYMBOLIC IMPORTANCE FOR THE COMMISSION IN THE EXISTENCE OF A FINANCIAL INSTRUMENT SUCH

AS THIS THAT CAN BE WIELDED FOR SPECIFIC COMMUNITY
PURPOSES. HINTON

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